
FY 2025-2026 PROPOSED BUDGET

August 19, 2025



CITY COUNCIL

The City of Simonton operates under the Council/City Administrator form of government. Your City Council consists of a mayor and five council members, who serve two-year staggered terms, and are elected on an “at-large” basis. Your City Council meets every first and/or third Tuesday of the month at 6:30 p.m. in City Hall. You are invited to attend any of these meetings. Operating under General Law Type A and the Council/Administrator plan, the City Council is the legislative body of your city government. The City Council appoints the City Administrator who is responsible for the general administration of the city on a daily basis and the City Secretary. The City Council appoints via contract the City Attorney, Municipal Judges and City Engineer. Council also appoints the members of various boards and commissions, who volunteer their time and energy to the City.





MAYOR'S TRANSMITTAL MESSAGE

Honorable City Council and Citizens of the City of Simonton:

The following pages contain the City of Simonton's proposed budget for the 2025-2026 Fiscal Year. In the absence of a City Administrator at this time, the authority to create and distribute the budget returns to the Mayor.

DRAFT

DRAFT

Respectfully,

Laurie Boudreaux, Mayor

MALL TAXING UNIT NOTICE

The City Council of the City of Simonton, Texas will hold a meeting at six thirty (6:30) PM on Tuesday, September 9, 2025 at Simonton City Hall located at 35011 F.M. 1093, Simonton, Texas 77476 to consider adopting a proposed tax rate for tax year 2026.

The proposed tax rate is 0.271675 per \$100 of assessed value.

The proposed tax rate would increase total taxes in the City of Simonton by 5.09 percent (5.09%).

The no new revenue rate (NNR) reflects zero increase in the tax rate. This is the rate that will provide the same total ad valorem revenue as this year.



SNAPSHOT Worksheet for Calculation of Tax Rate City of Simonton 2025-2026

1. 2025 taxable value, adjusted for court-ordered reductions. Line 8 of the Effective Tax Rate Worksheet.	\$154,795,776
2. 2025 total tax rate Line 4 of the Effective Tax Rate Worksheet	\$0.210000/\$100
3. Taxes refunded for years preceding tax year 2022 Line 16 of the Effective Tax Rate Worksheet	\$17,448
4. 2025 tax levy Multiply line 1 times line 2 and divide by 100. To the result, add line 3.	\$325,071
5. 2025 total taxable value	\$126,053,543
6. 2026 proposed tax rate. Proposed tax rate approved by the Governing Body	\$0.271675/\$100
2026 No-New Revenue Rate	\$0.271675
2026 Voter Approval Rate	\$0.281130
2025 Taxable value of NEW improvements and new personal property	\$471,876
7. 2026 Tax levy Multiply line 5 times line 6 and divide by 100	\$341,607
8. Tax levy increase (decrease). Subtract line 4 from line 7	\$16,536
9. Percentage levy increase (decrease) Divide line 8 by line 4. Multiply by 100	5.09%
10. 2023 De Minimis Rate The de minimis rate equal to the sum of no new revenue maintenance rate, the rate that will raise \$500,000 and the current debt rate for the taxing unit.	\$0.666852
De Minimis Tax levy	\$840,591
11. Percentage tax increase (decrease)*. Subtract Line 10 from Line 6. Divide results by Line 10. Multiply by 100. *Amount by which the proposed tax rate exceeds the lower of the election tax rate or the effective tax rate. This figure was previously published in the Notice of Public Hearing on Tax Increase and the Notice of Tax Revenue Increase.	

SMALL TAXING UNIT NOTICE

The City Council of the City of Simonton, Texas will hold a meeting at six thirty (6:30) PM on Tuesday, September 9, 2025 at Simonton City Hall located at 35011 F.M. 1093, Simonton, Texas 77476 to consider adopting a proposed tax rate for tax year 2026.

The proposed tax rate is 0.281183 per \$100 of assessed value.

The proposed tax rate would increase total taxes in the City of Simonton by 9.01 percent (9.01%).

The voter approval rate (VAR) reflects an increase in the tax rate of 3.5%. This is the greatest rate available prior to an election and equals typical cost of living annual increase.



SNAPSHOT Worksheet for Calculation of Tax Rate City of Simonton 2025-2026

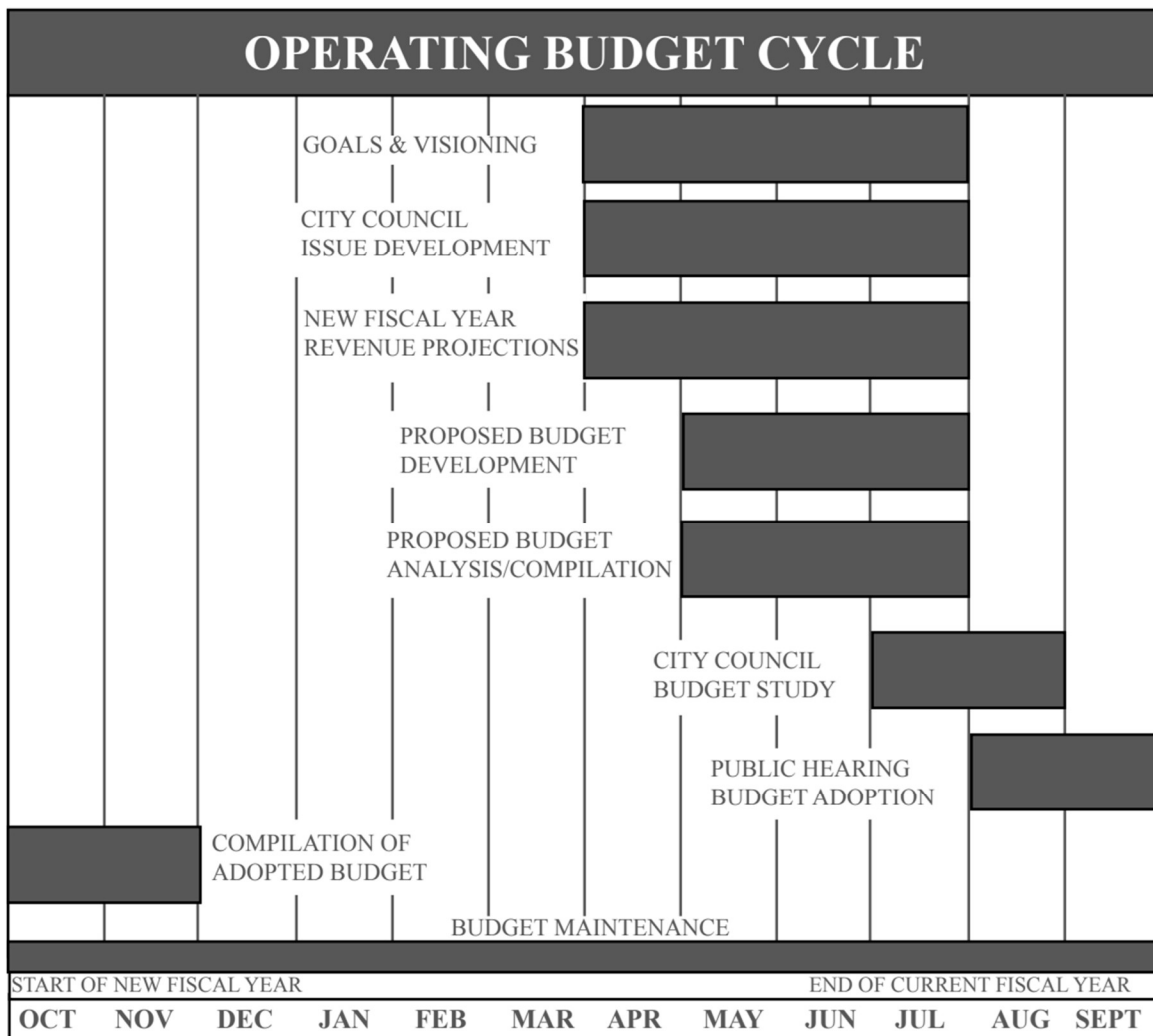
1. 2025 taxable value, adjusted for court-ordered reductions. Line 8 of the Effective Tax Rate Worksheet.	\$154,795,776
2. 2025 total tax rate Line 4 of the Effective Tax Rate Worksheet	\$0.210000/\$100
3. Taxes refunded for years preceding tax year 2022 Line 16 of the Effective Tax Rate Worksheet	\$17,448
4. 2025 tax levy Multiply line 1 times line 2 and divide by 100. To the result, add line 3.	\$325,071
5. 2025 total taxable value	\$126,053,543
6. 2026 proposed tax rate. Proposed tax rate approved by the Governing Body	\$0.2811305/\$100
2026 No-New Revenue Rate	\$0.271675
2026 Voter Approval Rate	\$0.281130
2025 Taxable value of NEW improvements and new personal property	\$471,876
7. 2026 Tax levy Multiply line 5 times line 6 and divide by 100	\$354,374
8. Tax levy increase (decrease). Subtract line 4 from line 7	\$29,303
9. Percentage levy increase (decrease) Divide line 8 by line 4. Multiply by 100	9.01%
10. 2023 De Minimis Rate The de minimis rate equal to the sum of no new revenue maintenance rate, the rate that will raise \$500,000 and the current debt rate for the taxing unit.	\$0.666852
De Minimis Tax levy	\$840,591
11. Percentage tax increase (decrease)*. Subtract Line 10 from Line 6. Divide results by Line 10. Multiply by 100. *Amount by which the proposed tax rate exceeds the lower of the election tax rate or the effective tax rate. This figure was previously published in the Notice of Public Hearing on Tax Increase and the Notice of Tax Revenue Increase.	

2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
\$0.240000	\$0.230000	\$0.220000	\$0.240000	\$0.212978	\$0.220000	\$0.219189	\$0.443954	\$0.300000	\$0.210000

10-year Historical Tax Rate Calculation

10-year average: \$0.253612

The Reader's Guide provides an overview of the City of Simonton's budget process, financial structure and budget basis. Also included in this section are the city's directives and financial policies related to budgeting. The City of Simonton has prepared a budget designed to meet the highest standards of performance in municipal budgeting. The budget presentation format, which includes line-item detail as directed by the council, features goals, accomplishments and performance measures for each department. A program description and summary of major budget changes is also included for each department to quickly inform the reader of the responsibilities of the department and budget considerations for the department. Various budget summaries, statistical information, and detailed revenue sources are provided to help the reader assess the budget and make comparisons to prior years. The Administrator's Message describes in detail the significant budget issues facing the Council and Staff in the upcoming budget year and future years. The message also provides an overview of the proposed budget. The budget process and organization of the budget itself are described below:





BUDGET PROCESS for FY 2025-2026

The City of Simonton uses a hybrid performance/program-oriented budgeting process.

1. City Council Issue Development

Early in the year, the City staff reviews the City's Goal and Visioning process and considers goals to meet the established vision elements. Also, a capital improvements workshop is being held to establish the capital project priorities for the coming fiscal year. Council priorities and goals are incorporated into the proposed budget. Major issues are fully addressed in the "Administrator's Message" section of this document.

2. Revenue Projection

The budget revenue projection for the new fiscal year begins midyear of the current fiscal year. This projection is made by the City's Budget Committee (comprised of the City Administrator, City Secretary, Mayor and/or Mayor Pro Tem). Projections are based upon consultations with state and local agencies, trend analysis, anticipated changes in the local and regional economy, and discussions with directly associated staff members. Although beginning earlier, the budget revenue projection occurs concurrently with departmental budget development and extends until the budget is adopted based upon the receipt of any new information.

3. Proposed Budget Development

During budget development at the department level, the City's Budget staff works to analyze requests, provide advice, and develop goals and performance measures which tie into council's goal setting and priorities.

4. Proposed Budget Analysis/Compilation

Once departmental budget requests are completed, the Budget Committee (City Administrator and City Secretary) meet to review and discuss funding requests. Given revenue projections and funding requirements, requests are proposed for funding according to ranking received by the Budget Committee. At this time the funding level is weighed against available resources, and a tax rate increase/decrease may or may not be recommended depending upon Council program priorities and issues previously expressed in the budget process.

5. City Council Budget Study

Budget work sessions, which are open to the public, are held with the City Council to review and discuss the proposed budget. At the work sessions, the City Administrator reviews major issues and presents an overview of the budget to the City Council.

6. Public Hearing/Budget Adoption

A public hearing on the budget and tax rate is held in August prior to final budget consideration. At said hearing, citizens or any other individual may make formal comment either for or against the proposed budget. The public also has the opportunity to attend City Council budget work sessions. Budget

adoption occurs in September after City Council deliberations and the public hearing. City Council may take action to modify the proposed budget per its discretion. The City Council also adopts a tax rate to support adopted funding levels.

7. Compilation of Adopted Budget/Budget Maintenance

An adopted budget is compiled and published during the first months of the new fiscal year. The adopted budget in the form of an amended proposed budget is available for public inspection in late September. Ledger accounts are prepared for the new fiscal year prior to October 1. Budget maintenance is a year-round activity of department directors and the budget committee. Spending control mechanisms include monthly review of expenditures by the department directors, supervisors, and budget committee. Also, all purchase requisitions are compared to the line item and departmental budget prior to approval. Beginning in January, monthly budget analysis reports are prepared to present budget versus estimated expenditure variances. These reports are reviewed by staff to identify any major expenditure variances. Monthly reports are prepared for City Council. Expenditures for individual line items may exceed the budgeted amount as long as the department's total expenditures remain less than the budgeted amount.

8. Budget Amendment

In some cases, department expenditures may exceed the budgeted amount so long as the fund remains within the budgeted amount. This is the case because the budget is adopted at the fund level. A budget amendment is presented to Council for approval only if the budget for an individual fund is being changed or projects added to the capital funds.

9. Program Goals and Measures

Finally, program goals and measures are evaluated during the fiscal year to determine effectiveness of program activities and levels of appropriate funding and effectiveness in meeting the vision and vision elements established by City Council.



BUDGET SUMMARIES of FY 2025-2026

The Budget Summaries section is designed to provide a quick overview of the budget for all funds of the City. This section includes the following schedules:

Combined Funds Summary - Presents the total budgeted revenues and expenditures for each fund. Transfers between funds are subtracted from the total to indicate total dollars in and out of the City.

All Funds Revenues by Category - Presents a breakdown of all City revenues by category and presents it graphically.

All Funds Expenditures by Category - Presents a breakdown of all City expenditures by category and presents it graphically.

Governmental Fund Types Projected Fund Balances - Summarizes the projected beginning and ending governmental funds. This schedule is useful in determining whether fund balances are maintained at sufficient levels.

Proprietary Fund Types Projected Cash Balances - Summarizes the projected beginning and ending cash balance for each of the proprietary funds. This schedule is useful in determining whether cash balances are maintained at sufficient levels.

Personnel Summary by Department - Summarizes authorized positions for the current budget. Explains what positions have been added.

Operating Funds Summary - Presents the combined revenues and expenditures for the General & Utility Operating Funds. Presents a more detailed breakout of expenditures.

General Fund Revenues by Category - Presents a breakout of the General Operating Fund revenues by category and presents it graphically.

General Fund Expenditures by Category - Presents a breakdown of all General Operating Fund expenditures by category. Includes a summary of General Fund authorized personnel.

Summary of Capital Items - Summarizes all capital expenditures.



ORGANIZATION OF THE BUDGET FY 2025-2026

The detail for each department includes the following information:

Organizational Chart - Shows the organizational structure for the city.

Personnel Summary - Shows the positions or personnel resources budgeted to carry out services. This includes full time salary positions as well as any possible new part time positions. Please note that funds budgeted do not have to be used (part time positions).

Program Description - Outlines the duties and responsibilities performed by the department. It is provided to enable the reader to understand the function of each department.

Goals and Objectives - Provides a summary of specific goals they wish to achieve during the coming fiscal year. They should have a specific time frame or measurable achievement.

Performance Measures - Include performance measures, as well as workload indicators, that reflect each departments major activities and how they are connected to the City Council's Vision Elements and Objectives. Workload measures also indicate the amount of work that has been done in the past and projected workload levels for the current and future years. Performance measures may also include productivity indicators. Productivity indicators reflect how well a program is performing its activities to meet the needs of the public and the organization. They should measure productivity, effectiveness, efficiency, or the impact of a service provided. While workload indicators indicate “how much” activity the department is performing, productivity indicators identify “how well” the department is performing. These indicators should be able to be tracked with a reasonable amount of time and effort.

Resources- Highlights fees and revenues that are generated as a result of department activities. In many departments, a change in level of activity will have an impact on associated revenues. This section highlights that relationship.

Expenditures - Shows the category of expenditures for each of the department’s programs as compared year over year.

Major Budget Changes - Identifies significant changes in funding levels and organizational alignment. This section also details major new programs and items proposed for funding.



SUMMARY OF FINANCIAL FUND ACCOUNTING

The City uses individual funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and achieve fiscal accountability by segregating transactions related to certain government functions and activities.

A fund is a fiscal and accounting entity with a self-balancing set of accounts. A separate fund may be established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The two types of funds utilized in the City's Comprehensive Annual Financial Report (CAFR) are Governmental and Proprietary. For the City's day-to-day operations, and for budgetary purposes, some of the funds reported in the CAFR are broken down into sub-funds. Each of the sub-funds budgets is established independently. The following is an explanation of the City's use of funds.

GOVERNMENTAL FUND TYPES

General Fund

The General Fund is the City's primary operating fund. The General Fund is presented as a major fund in the basic financial statements of the CAFR. It accounts for all financial resources of the City, except those required to be accounted for in another fund. The principal sources of revenues of the General Fund are property taxes, sales taxes, franchise taxes, permit fees, and fines. Expenditures are tax supported activities such as general government, finance, public safety, public works and Emergency Management. For budgetary purposes, the General Fund of the City is comprised of: the General Operating Fund, Equipment Replacement Fund, Unemployment Insurance Fund, Special Events Fund, the General Contingency Fund. Each of these funds is budgeted independently, with the emphasis on the General Operating Fund. The City's financial policy is to always budget the operating fund as balanced. Revenues equal expenditures. The expenditures of the General Operating Fund budget shall not exceed the total estimated resources (prospective income plus cash on hand).

Special Revenue Funds

The Special Revenue Funds are used to account for specific resources and expenditures that are legally restricted for specific purposes. Special Revenue funds include: the Motel Occupancy Tax Fund, the Economic Development Fund and Cultural Education Fund. In the CAFR, the Economic Development Fund is presented as a major fund.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition, construction, or repair of major capital facilities and equipment other than those financed by proprietary funds. These funds include the General Projects Fund, any Infrastructure Improvement Fund, potential Economic Incentives Infrastructure Fund

(Industrial districts), and possible Infrastructure Improvement Fund. Currently, the city has no debt obligation qualified as a capital project.



SUMMARY OF FINANCIAL STRUCTURE

General Fund Sub-Funds

General Operating Fund - This fund includes the maintenance and operations portion of the tax revenues and tax supported activities such as Police, Fire, Drainage, Streets, Parks, and Recreation. This fund is annually budgeted to “balance” or is prepared so that revenues equal expenditures.

Equipment Replacement Fund - Each department has a budgeted transfer to this fund. The transfer amount is based on the equipment used by the department, the original cost of the equipment and its estimated useful life. Accumulated resources in this fund are then used to purchase new and replacement equipment. This fund is not necessarily budgeted to be balanced. In some years revenues may exceed expenditures and vice versa. Budgeted equipment purchases may carryover to following budget year if not completed in the current year. For example: Emergency management and the acquisition of future pumps.

Park Fund - This fund accounts for revenue received from donations in lieu of parkland. This fund’s revenue may also be supplemented by year-end transfers from the General Fund. This fund is not typically budgeted as balanced. This could be a new addition to the 2020 budget for our Economic Development Corporations.

Special Revenue Funds

Motel Occupancy Fund - This fund accounts for the revenue received from the tax on motel rooms. The use of this revenue is limited and is therefore accounted for separately. This fund is not necessarily budgeted to be balanced. This applies to VRBO and AirBNB.

Economic Development Fund - This fund accounts for the revenues received from the additional 1/2¢ sales tax. Items budgeted in this fund are typically debt service transfers and smaller “cash” projects which may carryover fiscal years. This fund is not budgeted as balanced. The objective is to establish a fund balance equal to the next year’s debt service requirements when debt service is acquired.

Keep Simonton Beautiful Fund – This fund accounts for revenues and expenditures from the affiliated Keep Simonton Beautiful organization.



ACCOUNTING AND BUDGET BASICS

Basis of Accounting

The City of Simonton uses governmental and proprietary fund types to account for its activities. All fund structures and accounting standards used for financial reporting are in compliance with Generally Accepted Accounting Principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and other recognized professional standards. The City's accounting records for governmental funds are maintained on a modified accrual basis. Under this basis of accounting, revenues are recognized when they are susceptible to accrual (i.e. measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period (usually within 60 days of fiscal year-end). Ad valorem tax, sales tax, franchise tax, and interest revenues are susceptible to accrual. Licenses and permits, charges for services, fines and forfeiture revenues are recorded as revenues when received in cash because they are generally not measurable until they are received. Expenditures are recorded when the related liability is incurred. Accounting records for the City's proprietary funds are maintained on the accrual basis. Revenues are recognized when earned and expenses are recognized when the liabilities are incurred.

Basis of Budgeting

The City requires that the city budget be presented in a line-item budget format. This involves listing the revenue or expenditure "line-item" and showing what was earned or expended in this line item in the previous year; what the budget is for that line item for the current fiscal year; what the projection for that line item for the current year is estimated to be; and, what the line item is proposed to be for the new fiscal year. We faithfully follow this format in our proposed budget document. However, we also present the budget in a "modified-program" budget basis. Here we state the goals and objectives set by the City Council, through the strategic planning process, and how we plan to address those goals in the proposed budget. We also use some performance-based budgeting tools to track our success at meeting these organizational goals and objectives. This includes setting workload and performance measures for our various budget units. The reader will also see elements of target or outcome-based budgeting techniques in this document. From an accounting standpoint the City prepares its annual budget using concepts compatible with the modified accrual basis of accounting. Like the accounting basis, the budgetary basis recognizes revenues in the accounting period in which they become available and measurable. Expenditures (expenses) are budgeted in the accounting period in which the fund liability is incurred.



CITY DIRECTIVES

FISCAL YEAR

The fiscal year of the City of Simonton shall begin on the first day of October and shall end on the last day of September of each calendar year. Such fiscal year shall also constitute the budget and accounting year.

BUDGET PRESENTATIONS

The City Administrator, between sixty and ninety days prior to the beginning of each fiscal year, shall submit to the Council a proposed budget, which budget shall provide a complete financial plan for the fiscal year, and shall contain the following:

- (a) A budget message, explanatory of the budget, which message shall contain an outline of the proposed financial policies of the City for the fiscal year, shall set forth the reasons for salient changes from the previous fiscal year in expenditure and revenue items, and shall explain any major changes in financial policy.
- (b) A consolidated statement of anticipated receipts and proposed expenditures for all funds.
- (c) An analysis of property valuations.
- (d) An analysis of tax rate.
- (e) Tax levies and tax collections by years for at least five years.
- (f) General fund resources in detail.
- (g) Special fund resources in detail.
- (h) Summary of proposed expenditures by function, department, and activity.

ANTICIPATED REVENUES

In preparing the budget, the City Administrator shall place in parallel columns opposite the several items of revenue: the actual amount of each item for the last completed fiscal year, the estimated amount for the current fiscal year, and the proposed amount for the ensuing fiscal year.

PROPOSED EXPENDITURES

The City Administrator in preparation of the budget shall place in parallel columns opposite the various items of expenditures: the actual amount of such items of expenditures for the last completed fiscal year, the estimated amount for the current fiscal year and the proposed amount for the ensuing fiscal year.

PUBLIC HEARING

At the meeting of the City Council at which the budget is submitted, the City Council shall fix the time and place of public hearing on the budget and shall cause to be published in the official newspaper of the City of Simonton, a notice of the hearing setting forth the time and place thereof at least ten (10) days before the date of such hearing. At the time and place set forth in the notice, or at any time and place to which such public hearing shall from time to time be adjourned, the City Council shall hold a public hearing on the submitted budget, not earlier than the fourteenth day nor later than the third day before the date of final adoption of the budget, and all interested persons shall be given an opportunity to be heard for or against any item or the amount of any item therein contained. After the conclusion of such public hearing, the City Council may insert new items or may increase or decrease the items of the budget, except items in proposed expenditures fixed by law, but where it shall increase the total proposed expenditures, it shall also provide for an increase in the total anticipated revenue to at least equal such proposed expenditures.

BUDGET ADOPTION

Vote required for adoption; The budget shall be adopted by the favorable vote of majority of the members of the whole City Council. The budget shall be finally adopted prior to the beginning of the fiscal year and should the City Council fail to so adopt a budget, then the existing budget together with its tax-levying ordinance and its appropriation ordinance, shall remain in effect for the ensuing fiscal year, but only until such time as the Council passes a budget and tax-levying ordinance for the new fiscal year.

Effective date of budget; certification; copies made available. Upon final adoption, the budget shall be in effect for the fiscal year. A copy of the budget, as finally adopted, shall be filed with the person performing the duties of City Secretary and the County Clerk of Fort Bend County. The final budget shall be printed or otherwise reproduced, and copies shall be made available for the use of all offices, departments and agencies and for the use of interested persons and civic organizations.

Budget establishes appropriations; From the effective date of the budget, the several amounts stated therein as proposed expenditures shall be and become appropriated to the several objects and purposes therein named.

CONTINGENT APPROPRIATION

Provisions shall be made in the annual budget and in the appropriation ordinance for a contingent appropriation in an amount not more than three per cent of the budget, to be used in case of unforeseen items of expenditure. Such contingent appropriation shall be under the control of the City Administrator and distributed by her, after approval of the City Council. Expenditures from this appropriation shall be made only in case of established emergencies and a detailed account of such expenditures shall be recorded and reported.

BALANCE BUDGET REQUIREMENT

The total estimated expenditures of the general fund and debt service fund shall not exceed the total estimated resources of each fund (prospective income plus cash on hand). The classification of revenue and expenditure

accounts shall conform as nearly as local conditions will permit to the uniform classification as promulgated by the National Committee on Governmental Accounting or some other nationally accepted classification.

EMERGENCY APPROPRIATION

The City budget may be amended, and appropriations altered in accordance therewith in cases of public necessity, the actual fact of which shall have been declared by the City Council.

TAXATION

Tax limitation. The City Council shall have the power under the provisions of the state law to levy, assess and collect an annual tax upon real and personal property within the City to the maximum provided by the Constitution and general laws of the State of Texas. However, the City Council shall not make, permit, or approve any increase in ad valorem taxes in any one year exceeding five (8) percent of the City's immediate prior year's ad valorem tax without approval by the electorate at an election held for that purpose. Such five (8) percent limitation shall not prevent increased taxations of taxable property when subsequent improvements are made.

VISION ELEMENTS

- Enable Growth and Revitalization
- Enhance Communication
- Maintain Infrastructure
- Maintain a Well Managed City
- Enhance Quality of Life

In preparing the 2023-2024 budget try to keep all expenditures within a reasonable vision element.



BUDGET GLOSSARY

The Annual Budget contains specialized and technical terminology that is unique to public finance and budgeting. To assist the reader in understanding these terms, a budget glossary has been included in the document.

ABATEMENT – A complete or partial cancellation of a levy imposed by a government. Abatements usually apply to tax levies, special assessments and service charges.

ACCOUNT – A term used to identify an individual asset, liability, expenditure control, revenue control, encumbrance or fund balance.

ACCRUAL BASIS – The basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows.

ADMINISTRATIVE FEES – Administrative Services charges are allocated to all Enterprise Fund activities (e.g., water/sewer and sanitation) for indirect management and administrative support given by general fund departments.

AD VALOREM TAXES (Current) – All property, real personal, mixed tangible, intangible, annexations, additions, and improvements to property located within the taxing unit's jurisdiction which are subject to taxation on January 1 of the current fiscal year. Following the final passage of the appropriations ordinance, City Council sets the tax rate and levy for the current fiscal year beginning October 1 and continuing through the following September 30th.

AD VALOREM TAXES (Delinquent) – All taxes are due on receipt of bill and are delinquent if not paid before February 1 of the fiscal year in which it is imposed.

AD VALOREM TAXES (Penalty and Interest) – A delinquent tax incurs a penalty of six (6%) percent of the amount of the tax for the first calendar month it is delinquent, plus one (1%) percent for each additional month or portion of the month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, the delinquent tax on July 1 incurs a total penalty of twelve (12%) percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent. If a person exercises the split-payment option, as provided by the Property Tax Code, and fails to make the second payment before July 1, the second payment is delinquent and incurs a penalty of twelve (12%) percent of the amount of the unpaid tax. A delinquent tax incurs at the rate of one (1%) percent for each month or portion of a month the tax remains unpaid.

ALCOHOL BEVERAGE TAX – A tax at the rate of 6.7% percent is imposed on the gross receipts of a Licensee for the sale, preparation, or service of mixed beverages or from the sale of ice or non-alcoholic beverages and consumed on the premises of the permittee. Only a portion of this is remitted to the City from the State.

APPROPRIATION – A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. **APPROPRIATION ORDINANCE** – The official enactment by the City Council to establish legal authority for City officials to obligate and expend resources.

ARBITRAGE – With respect to the issuance of municipal securities, arbitrage usually refers to the difference between the interest paid on tax-exempt bonds and the interest earned by investing the proceeds of the bonds in higher-yielding taxable securities. Federal income tax laws generally restrict the ability to earn positive arbitrage in connection with tax-exempt bonds.

ASSESSED VALUATION – A value that is established for real or personal property for use as a basis for levying property taxes. (Note: Property values are established by the Brazoria County Appraisal District on January 1st of each year.)

BALANCED BUDGET – A fund's budget is considered balanced when estimated expenditures equal prospective revenues. The City's financial policy is to present the General Operating Fund and the Utility Operating Fund as balanced.

BOND – A written promise to pay a sum of money on a specific date at a specified interest rate. The interest payments and the repayment of the principal are detailed in a bond ordinance. The most common types of bonds are general obligation and revenue bonds. These are most frequently used for construction of large capital projects, such as buildings, streets and bridges.

BUDGET – A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the City Council for adoption and sometimes the plan finally approved by that body. It is usually necessary to specify whether the budget under consideration is proposed or whether it has been adopted by the City Council.

BUDGET ADJUSTMENTS – A legal procedure utilized by the City staff and City Council to revise a budget appropriation. The City of Simonton requires City Council approval through the adoption of a supplemental appropriation ordinance (which specifies both the source of revenue and the appropriate expenditure account) for any inter-departmental or inter-fund adjustments. City staff has the prerogative to adjust expenditures within a departmental budget.

BUDGET CALENDAR – The schedule of key dates or milestones which the City departments follow in the preparation, adoption, and administration of the budget.

BUDGET DOCUMENT – The instrument used by the budget-making authority to present a comprehensive financial program to the City Council.

BUDGET MESSAGE – The opening section of the budget which provides the City Council and the public with a general summary of the most important aspects of the budget, changes from the current and previous fiscal years, and the views and recommendations of the City Administer.

CAPITAL IMPROVEMENT PLAN – A plan for capital expenditure to be incurred each year over a fixed period of several future years setting forth each capital project, identifying the expected beginning and ending date for each project, the amount to be expended in each year and the method of financing those expenditures.

CASH BASIS - A basis of accounting under which transactions are recognized only when cash changes hands.

CASH MANAGEMENT – The management of cash necessary to pay for government services while investing temporary cash excesses in order to earn interest revenue. Cash management refers to the activities of the inflows and outflows of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships, and investing funds in order to achieve the highest interest and return available for temporary cash balances.

CERTIFICATE OF OBLIGATION – A debt instrument that is issued by the City and has the same legal status as a general obligation bond. Proceeds from the issuance of the certificates may be used for the construction of public works or payment of contractual obligations for professional services. These certificates do not require voter approval.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) – This program is overseen by the U.S. Department of Housing and Urban Development (HUD) and provides communities with the resources to address a wide range of unique community development needs. **CONTINGENCY** – Funds set aside in a reserve account for major expenditures or for emergencies.

DEBT SERVICE FUND – A fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Also called a Sinking Fund.

DEPRECIATION – The process of estimating and recording the lost usefulness, expired useful life or diminution of service from a fixed asset that cannot or will not be restored by repair and will be replaced. The cost of the fixed asset's lost usefulness is the depreciation or the cost to reserve in order to replace the item at the end of its useful life.

ENCUMBRANCES – Commitments related to unperformed (executory) contracts for goods or services.

EXPENDITURE – This term refers to the outflow of funds paid or to be paid for an asset obtained or goods and services obtained regardless of when the expense is actually paid. This term applies to all funds. Note: An encumbrance is not an expenditure. An encumbrance reserves funds to be expended.

EXPENSES – Charges incurred (whether paid immediately or unpaid) for operation, maintenance, interest and other charges.

FISCAL YEAR – The time period designated by the City signifying the beginning and ending period for recording financial transactions. The City of Simonton has specified October 1 to September 30 as its fiscal year.

FIXED ASSETS – Assets of a long-term character which are intended to continue to be held or used, such as land, buildings, improvements other than buildings, machinery and equipment.

FRANCHISE TAX – This is a charge paid for the use of City streets and public right of way and is in lieu of all other municipal charges, fees, street rentals, pipe taxes or rentals, easement or other like franchise taxes, inspections fees, and/or charges of every kind except Ad Valorem and special assessment taxes for public improvements.

FUNCTION – A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible.

FUND – An accounting entity that has a set of self-balancing accounts and that records all financial transactions for specific activities or government functions. Eight commonly used funds in public accounting are: general fund, special revenue funds, debt service funds, capital project funds, enterprise funds, trust and agency funds, internal service funds, and special assessment funds.

FUND BALANCE – Fund balance is the excess of assets over liabilities and is therefore also known as surplus funds.

GENERAL FUND – The fund used to account for all financial resources except those required to be accounted for in another fund.

GENERAL OBLIGATION BONDS – Bonds that finance a variety of public projects such as streets, buildings, and improvements; the repayment of these bonds is usually made from the General Fund, and these bonds are backed by the full faith and credit of the issuing government.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) – Uniform minimum standards of and guidelines to financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. They encompass the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. They provide a standard by which to measure financial presentations.

GENERALLY ACCEPTED AUDITING STANDARDS (GAAS) – Establishes standards against which the quality of audits are performed and judged.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) – Establishes accounting financial reporting standards for state and local government.

GOVERNMENTAL FUNDS – Government funds account for expendable resources based on the purposes for which the resources may or must be used. There are four fund types and there may be numerous individual funds within each fund type. The four government fund types are: General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.

GRANTS – Contributions or gifts of cash or other assets from another government to be used or expended for a specified purpose, activity, or facility.

HOTEL/MOTEL TAX – Pursuant to a State law, a tax is levied upon the cost of occupancy of any room or space furnished by any hotel. The current rate of taxation is 13% (7% of which is paid to the City and budgeted for limited uses and 6% is collected by the state).

INFRASTRUCTURE – Fixed assets that are immovable and have value only to the governmental unit. Common examples of infrastructure include roads, sidewalks, bridges and streetlights.

INTERFUND TRANSFERS – Amounts transferred from one fund to another.

INVESTMENTS – Securities and real estate held to ensure safety, provide necessary liquidity and optimize yield for the City's operating cash. The term does not include fixed assets used in governmental operations.

LEVY – (Verb) To impose taxes, special assessments, or service charges for the support of governmental activities. (Noun) The total amount of taxes, special assessments, or service charges imposed by a government.

MODIFIED ACCRUAL BASIS – The accrual basis of accounting adapted to the governmental fund type spending measurement focus. Under it, revenues are recognized when they become both "measurable" and "available to finance expenditures of the current period." Expenditures are recognized when the related fund liability is incurred except for (1) inventories of materials and supplies which may be considered expenditures either when purchased or when used; (2) prepaid insurance and similar items which need not be reported; (3) accumulated unpaid vacation, sick pay, and other employee benefit amounts which need not be recognized in the current period, but for which larger-than-normal accumulations must be disclosed in the notes to the financial statements; (4) interest on special assessment indebtedness which may be recorded when due rather than accrued, if approximately offset by interest earnings on special assessment levies; and (5) principal and interest on long-term debt which are generally recognized when due.

MAJOR FUND – A Governmental or Enterprise fund that meets both of the following criteria: a.) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type (that is, total governmental or total enterprise funds), and b.) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined. Any other government or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to the financial statement users. The general fund is always a major fund (GASB 34).

OPERATING BUDGET – Plans of current expenditures and the proposed means of financing them.

OPERATING EXPENSES – Expenses which are directly related to the fund's primary service activities.

OPERATING REVENUES – Revenues which are directly related to the fund’s primary service activities.

OPERATING TRANSFERS – All interfund transfers other than residual equity transfers.

ORDINANCE – A formal legislative enactment by the governing board of a municipality. If it is not in conflict with any higher form of law, such as a state statute or constitutional provision, it has the full force and effect of law within the boundaries of the municipality to which it applies. The difference between an ordinance and a resolution is that the latter requires less legal formality and has a lower legal status. Ordinarily, the statutes will specify or imply those legislative actions which must be by ordinance and those which may be by resolution. Revenue raising measures, such as the imposition of taxes, special assessments and service charges, universally require ordinances.

PERFORMANCE MEASURES – Specific quantitative and qualitative measures of work performed as an objective of the department.

PROGRAM DESCRIPTION – Describe the nature of service delivery provided at this level of funding. It clearly explains how service delivery will be different from the prior budget year.

PROGRAM GOALS – Program goals describe the purpose or benefit the department plans to provide to the community and/or organizations it serves. Goals identify the end result the department desires to achieve with its activities, but goals are often ongoing and may not be achieved in one year.

PROPERTY TAX – Property taxes are levied on both real and personal property according to the property’s valuation and the tax rate.

PROPRIETARY FUND – Proprietary funds follow accounting practices like those found in private business, in that the fund attempts to be self-supporting. The two types of proprietary funds are enterprise funds and internal service funds.

RESERVE – An account to use to indicate that a portion of a fund’s balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.

REVENUES – The term designates an increase in a fund’s assets. An item of income.

RISK MANAGEMENT – All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

SALES TAX – A general “sales tax” is levied on all persons and businesses selling merchandise in the city limits on a retail basis. Monies collected under authorization of this tax is for the use and benefit of the City; however, no city may pledge anticipated revenues from this source to secure the payment of funds or other indebtedness. The current sales tax rate for the City is 8.25% (1.5% rebated to the City from the State, .5% to the County, and the balance is retained by the State). **TAX RATE** – The amount of tax stated in terms of a unit of the tax base; for example, \$.50 per \$100 (one hundred dollars) assessed valuation of taxable property.

TAX RATE LIMIT – The maximum rate at which a government may levy a tax. The limit may apply to taxes raised for a particular purpose, or to taxes imposed for all purposes, and may apply to a single government, to a class of governments, or to all governments operating in a particular area. Overall tax rate limits usually restrict levies for all purposes and of all governments, state and local, having jurisdiction in a given area.

TAXES – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those paying such charges as, for example, sewer service charges.

WORKING CAPITAL – The amount of current assets exceeding current liabilities. Current assets can or will be converted to cash within 90 days and current liabilities will be paid within 90 days.

WORKLOAD MEASURES – Workload measures reflect major activities of the department. They indicate the amount of work that has been done in the past and projected workload levels for the current and next years. Workload measures should be able to be tracked with a reasonable amount of time and effort.



TAX TERMS

Truth-in-taxation requires most taxing units to calculate two, and in some cases, three tax rates after receiving a certified appraisal roll from the chief appraiser. The rates are the no-new-revenue tax rate, the voter approval tax rate and the de minimis tax rate. The type of taxing unit determines which truth-in-taxation steps apply- we qualify as a low tax levy city, meaning we collect less than \$0.50/\$100 with a population less than 30,000.

No-New-Revenue Tax Rate: The no-new-revenue tax rate is a calculated rate that would provide the taxing unit with about the same amount of revenue it received in the year before on properties taxed in both years. *If property values rise, the no-new revenue tax rate goes down and vice versa.* Although the actual calculation can become more complicated, a taxing unit's no-new-revenue tax rate is a calculated rate generally equal to the last year's taxes divided by the current taxable value of properties that were also on the tax roll last year. The resulting tax rate, used for comparison only, shows the relation between the last year's revenue and the current year's values.

Voter Approval Tax Rate: The voter approval tax rate is a calculated maximum rate allowed by law without voter approval- capped at 3.5% in 2020. A taxing unit's voter approval tax rate is a calculated rate that divides the overall property taxes into two categories - M&O and debt service, also called interest and sinking. We do not have I&S because we are fortunate to be completely debt free. With the exception of school districts, the voter approval tax rate provides the taxing unit with about the same amount of tax revenue it spent the previous year for day-to-day operations, plus an extra three and a half percent increase for those operations, and sufficient funds to pay debts in the coming year. For all taxing units, the debt service portion of the voter approval tax rate is the current year's debt payments divided by the current year's property values. The debt service rate may rise as high as necessary to cover debt expenses.

De minimis Tax Rate: New in 2020 tax year was created a third calculation for taxing units *with a population of 30,000 or less and is not a school district, water district or special taxing unit.* This is a tax rate that is equal to the total of the no-new revenue M&O rate, plus a rate when applied to the taxing unit's current total value, will create a levy of \$500,000, plus the current debt rate. This tax rate is not utilized by all taxing units because of the specifications of city size and current rates being less than \$0.50/\$100. There are several scenarios that govern the maximum rate a taxing unit may adopt. If a taxing unit adopts a tax rate that exceeds the voter approval rate and the De minimis rate, an automatic election must be held.